



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

July 2, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **PACIFIC ASIAN CONSORTIUM IN EMPLOYMENT CONTRACT -
WORKFORCE INVESTMENT ACT ADULT SPECIAL NEEDS
PROGRAM**

We have conducted a program, fiscal and administrative contract review of Pacific Asian Consortium in Employment (PACE or Agency), a Workforce Investment Act (WIA) provider.

Background

The Department of Community and Senior Services (DCSS) contracts with PACE, a private non-profit organization to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program limited to low-income adults 18 years or older, who face multiple barriers to employment. PACE is located in the First and Second Districts.

PACE is compensated on a cost reimbursement basis. PACE's contract was for approximately \$69,000 for Fiscal Year (FY) 2005-06 and \$81,502 for FY 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether PACE complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

PACE maintained adequate internal controls to ensure revenue was properly recorded and deposited timely. PACE expenditures were accurately billed to DCSS and supported with documentation.

PACE did not complete Individual Employment Plans (IEP) for six (86%) of the seven participants reviewed. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals. In addition, PACE did not obtain clearances for the three employees prior to them working on the program.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with PACE on May 21, 2007. In their attached response, PACE concurred with our findings and recommendations. Due to confidentiality, we redacted the names of employees mentioned on the management response letter. We also notified DCSS of the results of our review.

We will follow up on our recommendations during next year's monitoring review. We thank PACE for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: David E. Janssen, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Kerry N. Doi, President and CEO, Pacific Asian Consortium in Employment
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
PACIFIC ASIAN CONSORTIUM IN EDUCATION
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Pacific Asian Consortium in Education (PACE or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed all seven program participants that received services from April through November 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

Results

PACE did not maintain appropriate documentation to support the program eligibility for one (14%) of the seven program participants sampled. Specifically, PACE did not obtain documentation to support the participant's income requirement.

Recommendation

1. **PACE management ensure that staff obtain appropriate documentation from the participants to support the participants' eligibility for program services prior to providing services.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for all seven participants that received services from April through November 2006. We also interviewed one participant.

Results

The one participant interviewed confirmed that the services he received met his expectations. However, six (86%) of the seven participants' Individual Employment Plans (IEPs) did not contain timelines and dispositions for the planned activities as required. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals. This issue was also noted on the prior year's monitoring report.

Recommendation

2. **PACE management ensure that IEPs for participants are complete and include all required information.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for October 2006.

Results

PACE maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 13 (50%) non-payroll expenditure transactions billed by the Agency for September and October 2006, totaling \$315.

Results

PACE's expenditures were allowable, accurately billed to DCSS and supported by documentation as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed the Agency's policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

PACE maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

The objective of this section is to determine whether PACE's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as PACE did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for three employees, totaling \$4,731 (90%), to the payroll records and time reports for September 2006. We also reviewed the personnel files for the three staff assigned to the WIA program.

Results

PACE appropriately charged payroll expenses to the WIA program. However, PACE did not obtain criminal record clearances or proof of employability for three employees. In addition, PACE did not maintain copies of drivers' licenses or proof of car insurance for all three employees in their personnel files and PACE did not complete annual performance evaluations for two (67%) of the three employees. Subsequent to our review, PACE provided copies of drivers' licenses and proof of car insurances for the three employees.

Recommendations**PACE management:**

3. Obtain criminal clearances for all staff working on the WIA program.
4. Ensure that required documentation is maintained in the personnel files.
5. Ensure that annual performance evaluations are performed and that personnel files are kept current with the required information.

COST ALLOCATION PLAN**Objective**

Determine whether PACE's Cost Allocation Plan is prepared in compliance with the County contract and appropriately applied to program costs.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in September and October 2006 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

PACE's Cost Allocation Plan complied with the County contract requirements and costs were appropriately allocated.

Recommendation

There are no recommendations in this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced and agreed PACE's FY 2005-06 General Ledger total to the Agency's final close-out invoice for FY 2005-06.

Results

PACE's final close-out invoice reconciled to the Agency's financial records.

Recommendation

There are no recommendations in this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from the FY 2005-06 monitoring review were implemented. The report was issued in August 2006.

Results

The prior year's monitoring report contained eight recommendations. PACE implemented seven (88%) of the eight recommendations. As indicated earlier, the outstanding recommendation was also noted during our current monitoring review.

PACE management stated that the Agency plans to implement the outstanding recommendation by June 30, 2007.

Recommendation

- 6. PACE management implement the outstanding recommendation from the FY 2005-06 monitoring report.**



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June 20, 2007

Susan Kim, CPA, CIA
Principal Accountant-Auditor
Los Angeles County
Department of Auditor-Controller
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Alhambra, CA 91803

SUBJECT: Response to Audit of the Pacific Asian Consortium
in Employment (PACE)'S County WIA Special
Needs Program

Dear Ms. Susan Kim:

The Pacific Asian Consortium in Employment (PACE) is providing this response to the outstanding issues addressed in the recent Audit review of our County WIA Special Needs Program.

Auditor's Results and Recommendations	Agency's Response
<p>Eligibility PACE did not maintain appropriate documentation to support the program eligibility for one (14%) of the seven program participants sampled. Specifically, PACE did not obtain documentation to support the participant's income requirement. The one participant interviewed confirmed that the services he received met his expectations. However, six (86%) of the seven participants' Individual Employment Plans (IEPs) did not contain timelines and dispositions for the planned activities as required. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals. This issue was also noted on the prior year's monitoring report.</p>	<p>1. PACE management will hold weekly meetings with responsible staff member to review the eligibility requirements of the Special Needs Program, as well as to ensure that all appropriate documentation obtain from the participants are eligible in each of the enrolled participants' files to support their eligibility for services prior providing services.</p> <p>2. PACE management team will be closely monitored and reviewed all enrolled participants' Individual Employment Plans, and ensuring that timelines and dispositions for the planned/related activities, goals and objectives of each enrolled participant is completed and updated in each of the participant's file.</p>

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Environmental
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Head
Start
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1501 Wilshire Blvd., Suite 100
Los Angeles, CA 90017
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Fax: 213.353.1701 / 213.483.8151

Payroll and Personnel

PACE appropriately charged payroll expenses to the WIA program. However, PACE did not obtain criminal record clearances or proof of employability for three employees. In addition, PACE did not maintain copies of driver's licenses or proof of car insurance for all three employees in their personnel files and PACE did not complete annual performance evaluations for two (67%) of the three employees. Subsequent to our review, PACE provided copies of driver's licenses and proof of car insurances for the three employees.

3. Please be advised that the three staff performing work under our Special Needs Contract with the County of Los Angeles, each of these staff members has been affiliating with our agency from 8 to 28 years. [REDACTED] has been with PACE for more than 8 years; [REDACTED] 22 years, and [REDACTED] 28 years. Based on these years of clientele services to the community, PACE can advocates these employees have provided exceptional services within our contract guidelines with the County of Los Angeles WIA Special Needs and among all the clients that we have served, our employees have not ever been complaints of in terms of safety. In addition, it is not a requirement per our agency's Personnel Practices; however, we honor our Special Needs Contract with the Los Angeles County and we will be in compliance for next year's audit.

4. We will ensure that required documentation will be eligible and maintained in each personnel file.

5. We will ensure that all staff working under the WIA Special Needs program will receive the annual review of their performance by the immediate Supervisor, and copy of its performance appraisal will be kept in each personnel file for future audit review.

We hope that our response to these outstanding issues will lead to a better understanding of the PACE program goals with the Los Angeles County for Special Needs population and the steps that our Management team is taking to ensure that the agency program meets its population needs, while ensuring compliance with the Los Angeles County Contractual requirements.

If you have any questions, please do not hesitate to contact me at (213) 207-1366. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Albert Sy', with a long, sweeping horizontal stroke extending to the right.

Albert Sy
Senior Program Coordinator